

Middle Class Economics: Empowering All Americans with the Education and Skills They Need

The President's 2016 Budget is designed to bring middle class economics into the 21st Century. This Budget shows what we can do if we invest in America's future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class and help America's hard-working families get ahead in a time of relentless economic and technological change. And it makes the critical investments needed to accelerate and sustain economic growth in the long run, including in research, education, training, and infrastructure.

These proposals will help working families feel more secure with paychecks that go further, help American workers upgrade their skills so they can compete for higher-paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill, while also fulfilling our most basic responsibility to keep Americans safe. We will make these investments, and end the harmful spending cuts known as sequestration, by cutting inefficient spending and reforming our broken tax code to make sure everyone pays their fair share. We can do all this while also putting our Nation on a more sustainable fiscal path. The Budget achieves about \$1.8 trillion in deficit reduction, primarily from reforms to health programs, our tax code, and immigration.

America's education system led the world in the 20th Century when we sent generations to college, and cultivated the most educated workforce in the world, which supported an unparalleled period of economic growth and rising middle-class incomes. Since then, other countries have followed our lead to develop globally competitive education systems. America must once again lead the world in education, and prepare its workforce to compete globally. That requires both reform and investment, and the President's Budget does both by investing in what works to improve student outcomes and to ensure our workforce has the skills needed by American businesses. To empower all Americans with the education and skills they need, the Budget focuses on expanding high-quality early childhood education, providing equity and opportunity for all students in elementary and secondary education, supporting teachers and school leaders, expanding college opportunity and quality, and increasing opportunities to access reemployment services and training for high growth sectors that can lead to stable, middle-class jobs.

ENHANCING ACCESS TO HIGH-QUALITY EARLY CHILDHOOD EDUCATION

The President believes that all children should have access to high-quality early education. Research has shown that supporting children at this stage of life leads to significant benefits in school and beyond. This is particularly true for low-income children, who often start kindergarten academically behind their peers by many months. Providing high-quality early childhood education to all children will enable them to start school ready to learn and realize their full potential.

Expanding Access to High-Quality Early Childhood Education. High-quality child care and early education for young children serves two important functions: it supports parents in the workforce and it helps support healthy child development and school readiness. The Budget expands access to high-quality early childhood education while also investing in innovation and evaluation to continue to build the evidence base about what works for our youngest learners. The Budget:

- **Expands access to quality, affordable child care.** The Administration proposes a historic investment in child care to ensure that quality, affordable care is available to all eligible low- and moderate-income working families with young children, as opposed to the small share of children who receive this help today. This proposal will expand access to high-quality care for more than 1.1 million additional children under age four by 2025 and help States build a supply of quality care that families can access. The Budget also includes funding to help States implement the changes required by the new bipartisan Child Care and Development Block Grant Act of 2014 and for competitive pilot projects to develop, implement, and evaluate innovative models of providing care that meet the needs of working families.
- **Cuts taxes for families paying for child care with a credit of up to \$3,000 per child.** The Budget triples the maximum Child and Dependent Care Tax Credit (CDCTC) for families with children under age five and makes the full CDCTC available to families with incomes of up to \$120,000, benefiting families with young children, older children, and dependents who are elderly or have disabilities. Meanwhile, the Budget would eliminate tax preferences for flexible spending accounts (FSAs) for child care expenses, which are poorly targeted and complex, reinvesting the savings in the improved CDCTC. The child care tax reforms would benefit 5.1 million families, helping them cover costs for 6.7 million children.
- **Increases the duration of Head Start programs and invests in high quality infant and toddler care.** The Budget expands access to high-quality care for tens of thousands of additional infants and toddlers through Early Head Start-Child Care Partnerships, and provides over \$1 billion in additional funding for Head Start to make sure children are served in full-day, full-year programs that research shows lead to better outcomes for children.
- **Supports universal preschool.** The Preschool for All initiative, in partnership with the States, provides all four-year-olds from low- and moderate-income families with access to high-quality preschool, while encouraging States to expand those programs to reach additional children from middle-class families and establish full-day kindergarten policies.
- **Lays the groundwork for Preschool for All.** The Budget provides \$750 million for the Department of Education's Preschool Development Grants, a substantial increase of \$500 million over the 2015 level. Preschool Development Grants are currently helping 18 States develop and expand high-quality preschool programs in targeted communities; the Budget will increase that number to over 40 States.
- **Invests in voluntary, evidence-based home visiting.** The Budget extends and expands evidence-based, voluntary home visiting programs, building on research showing that home visits by a nurse, social worker, or other professional during pregnancy and in the early years of life can significantly reduce child abuse and neglect, improve parenting, and promote child development and school readiness.

CONTINUING TO IMPROVE K-12 EDUCATION

Advancing K-12 Reforms through Programs Showing Results. Over the past six years, the Administration has worked with States and school districts to help all children meet rigorous college-

and career-ready standards. To reach that goal, the Administration has promoted evidence-based initiatives that improve low-performing schools and support effective teaching and school leadership. Forty-eight states and the District of Columbia have raised standards for learning in their schools and are supporting the hard work teachers and principals are doing to enable their students to succeed. Innovation, data analysis, and evaluation have been key to these efforts. And, the signs of progress are clear: the high school graduation rate is the highest on record and students are making academic gains.

The Budget continues to invest in priority education programs, in ways that will make a difference for students. The Budget:

- **Ensures Equity of Opportunity.** Title I is the Department of Education's largest K-12 grant program and the cornerstone of its commitment to supporting low-income schools with the funding necessary to provide high-need students with access to an excellent education. The Budget provides \$15.4 billion, a \$1 billion increase, for this program. In addition, the Budget proposes \$100 million to support districts that are using their Federal formula funds for evidence-based interventions, and includes a pilot opportunity for districts that equitably distribute State, local and Federal funds to schools to receive relief from federal reporting and fiscal requirements
- **Improves Outcomes for Students with Disabilities.** The Budget includes \$11.7 billion for Individuals with Disabilities Education Act (IDEA) grants to States, a \$175 million increase, to help states pay the additional costs of special education, and implement a new "Results Driven Accountability" system that will ensure districts focus on improving outcomes for students with disabilities.
- **Supports our Teachers.** To build on the major reforms States have made in their teacher and principal evaluation policies, the Budget directs \$3 billion towards the goals of preparing teachers for success in the classroom and supporting that success throughout their career. This investment includes \$200 million for an improved Education Technology State Grants program focused on providing educators with training and support to maximize the impact of expanded access to technology to provide high-quality, personalized instruction to students. The Budget also supports a companion initiative funded at \$1 billion annually for five years in mandatory funding that will support bold, comprehensive State and local efforts to attract the best candidates to the teaching profession and prepare them for the demands of the classroom, while also creating a culture of excellence and professional growth for teachers throughout their careers.
- **Builds Evidence and Encourages Innovation.** The Budget funds the Investing in Innovation program at \$300 million, a \$180 million increase over 2015 enacted, to develop and test effective practices and provide better information to States and districts on what works in key areas such as implementing college- and career-ready standards, using data to inform instruction and personalize learning, and improving low-performing schools.
- **Creates Great Schools.** A new \$125 million competitive program will promote the re-design of America's high schools by integrating deeper learning, student-centered instruction, and career-related experiences, with a particular focus on science, technology, engineering, and math (STEM) themed high schools that expand opportunities for girls and other groups underrepresented in STEM fields. The Budget invests \$556 million, a \$50 million increase over

2015 enacted, in School Improvement Grants, to expand the use of evidence-based approaches to turning around our lowest performing schools, including high schools with unacceptably low graduation rates. The Budget also provides \$375 million for Charter Schools, an additional \$122 million, to significantly increase the expansion and replication of high-quality charter schools in high-need communities.

- **Implements Neighborhood-based Strategies.** The Budget provides \$150 million to support current Promise Neighborhoods and create up to 25 more of these local partnerships that develop and implement comprehensive, neighborhood-based plans for meeting the cradle-to-career educational, health, and social service needs of children and families in high-poverty communities
- **Improves STEM Education.** The Budget invests \$3 billion to improve STEM education across the government. This includes \$202 million for Department of Education's K-12 Math and Science Partnerships and \$135 million for improving undergraduate education at the National Science Foundation.
- **Keeps Our Schools Safe.** The Budget continues support for the President's plan to reduce gun violence and increase school safety, by providing more than \$80 million to help schools create safer and more nurturing school climates through evidence-based behavioral intervention practices, provide support and services to children exposed to pervasive violence, and provide technical assistance and disseminate best practices on school safety and climate.

MAKING A HIGH-QUALITY COLLEGE EDUCATION MORE AFFORDABLE

Making a High-Quality College Education More Affordable. An estimated two-thirds of job openings will require some postsecondary education and training by 2020. The President has placed a high priority on making college affordable and helping Americans obtain a meaningful college certificate or degree. Beginning in 2009, the Administration has increased the maximum Pell Grant by more than \$1,000, to \$5,775 in school year 2015-16, and provided additional tax benefits to help families pay for college. The Administration ended subsidies to banks under the guaranteed student loan program and reinvested those savings to help more students and families afford college with increased funding to the Pell Grant program. In addition, the Administration has expanded income-driven repayment options, such as the President's Pay As You Earn (PAYE) plan, to help more borrowers manage their student loan debt. In 2013, the Department of Education introduced the College Scorecard to provide critical information about college value to assist prospective students and their families in the college search and selection process, and the President announced the development of a college ratings system to identify colleges providing the best value and encourage all colleges to improve.

The Budget builds on this progress and charts a path forward on the President's plan to make college more affordable. The Budget:

- **Provides Tuition-Free Community College for Responsible Students.** The President's America's College Promise proposal makes community college free for responsible students, enabling them to earn a certificate, an associate's degree or up to two years' worth of credits towards a bachelor's degree without paying any tuition or fees. Everyone will be required to do their part: 1) states must invest more in higher education and training 2) community colleges

must strengthen their programs and increase the number of students who graduate, and 3) students must take responsibility for their education, earn good grades, and stay on track to graduate. Students would continue to qualify for federal student aid (including Pell grants), which could help cover other costs of attendance, such as books, supplies, housing, and transportation.

- **Ensures that Pell Grants Keep Pace with Inflation.** Pell Grants are central to our efforts to help low and moderate income students afford college. In the 2014-15 award year, Pell Grants provided an estimated \$31 billion in college aid to 8.2 million students. Since 2013, Pell Grants have been adjusted for inflation annually, but unless Congress acts, this will end in 2017 and the value of Pell Grants will start to erode, making it even harder for families to afford college. The Budget addresses this, supporting the continued indexing of Pell Grants, to ensure that their value is not eroded by inflation.
- **Keeps Student Loans Manageable.** The Administration is helping student borrowers with existing debt manage their obligations through income-driven repayment plans, such as the PAYE plan, which cap student loan payments at 10 percent of monthly discretionary income. The Department of Education has contacted struggling borrowers to make sure they are aware of these new options, and ensured that they have the information they need to choose the best one to help them responsibly manage their debt. The Budget proposes to extend PAYE to all student borrowers and reform the PAYE terms to ensure that the program is well-targeted and to safeguard the program for the future.
- **Simplifies Education Tax Benefits for All Students and Families.** While the creation of the American Opportunity Tax Credit (AOTC) in 2009 made college more affordable for millions of students and their families, our system of tax incentives for higher education is complex, and families are sometimes unable to take full advantage of the benefits. Building on bipartisan reform proposals, the Budget would simplify, consolidate, and better target tax-based financial aid. It would cut taxes for 8.5 million families and students, simplify taxes for the more than 25 million families and students that claim education tax benefits, and provide students working toward a college degree with up to \$2,500 of assistance each year for five years.
- **Supports Minority Serving Institutions and College Access for Minority Youth.** The Budget sustains funding for Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) and increases funding for TRIO. These programs help disadvantaged students prepare for, enroll, and complete postsecondary education. The increase in funding would support a TRIO Demonstration Initiative to test new approaches to foster college success. The Budget also provides a 30 percent set-aside for Minority-Serving Institutions in the \$200 million First in the World competition to drive innovations in higher education that increase college completion, value, and affordability.
- **Drives Performance and Innovation in Higher Education.** To drive performance and improve outcomes in higher education, the Budget:
 - Expands the First in the World fund to \$200 million, to identify and expand promising and evidenced-based innovations and practices at colleges and universities across the country to dramatically improve educational outcomes for all students and make college more affordable;

- Provides new College Opportunity and Graduation Bonuses to reward colleges that successfully enroll and graduate a significant number of low- and moderate-income students;
- Proposes a new \$200 million CTE Innovation Fund to create the American Technical Training Fund, which would provide competitive grants to support the development, operation and expansion of evidence-based training programs, in partnership with industry, for skilled jobs in high-demand fields that provide a path to the middle class for low-income individuals; and
- Strengthens academic progress requirements in the Pell Grant program to encourage students to complete their studies on time.

TRAINING WORKERS FOR HIGH-DEMAND JOBS AND CAREERS

As our economy changes we need to ensure that the Nation's workers have the skills they need to succeed in family-supporting jobs. The Administration builds on the bipartisan Workforce Innovation and Opportunity Act (WIOA) with investments that connect workers with good jobs, prepare workers with the skills employers need, and partner with employers to create more on-the-job training and apprenticeship opportunities so workers can learn the skills they need for better, higher-paying jobs and earn wages while they are training.

Creating Pathways to High-Growth Jobs. Last year, Congress came together and passed important improvements to the Nation's job training system with the bipartisan Workforce Innovation and Opportunity Act (WIOA). To build on this progress, the Budget increases funding for the core WIOA grants and provides \$1.2 billion, a \$500 million increase over the 2015 enacted level, to support in-person employment services for unemployed workers to help them find a good job or the training or services they need prepare for one. This investment would reach the one-third of unemployment insurance beneficiaries who are most likely to run out of benefits before getting reemployed, all returning veterans who receive unemployment benefits, and other displaced workers who come into American Job Centers. Evidence suggests that these types of services are a cost-effective intervention that get workers back into jobs faster, and help employers to fill their in-demand jobs. For workers who need job training to get back on their feet, the Budget provides \$16 billion over ten years to double the number of workers receiving training through the workforce development system. This training would focus on industries that are expected to experience significant growth in the coming decades, such as health care, energy, advanced manufacturing, transportation and logistics, cybersecurity, and information technology. Additional funding would also be available to provide training, subsidized employment and need-based stipends for the long-term unemployed.

Spreading the Development and Adoption of Industry-Validated Credentials. The Budget provides \$500 million for Industry Credentialing and Career Pathways Grants, including \$300 million specifically targeted at information technology jobs. These grants would be competitively awarded to create employer-validated credentials where they do not yet exist, drive additional employer uptake of credentials that do exist, and develop curricula and assessments that lead to the credential. Grants would be awarded to employer collaboratives in partnership with the workforce system, post-secondary institutions such as community colleges, and other innovative education and training providers.

Expanding Learn and Earn Strategies. The Budget includes a \$2 billion Apprenticeship Training Fund to help more employers come to the table to provide high-quality on-the-job training through

apprenticeship. Of the \$2 billion Apprenticeship Training Fund, \$1.5 billion would be used to provide states and regions with resources to encourage greater employer participation in apprenticeship and make this model available to a broader range of workers. The remaining \$500 million would create an innovation fund to reward partnerships between states, cities, regions, non-profits, employers, labor unions, and training providers to expand apprenticeships. The President's Apprenticeship Training Fund proposal builds on bipartisan momentum underway to increase support for apprenticeships. The Budget also includes \$100 million in discretionary funding for apprenticeship grants to States, industry, and community based organizations to build capacity to develop or expand registered apprenticeship programs.

Supporting Work Opportunities for Low-Income Out-of Work Parents and Youths. The Budget proposes to redirect \$573 million in annual Temporary Assistance for Needy Families (TANF) funding to a Pathways to Jobs initiative, which will support State partnerships with employers to provide subsidized job opportunities for low-income individuals. This proved in recent years to be an effective strategy for getting disadvantaged adults back into the workforce, and the Budget proposes to build on that success.

Reforming Federal Job Training to Better Connect Workers with Good Jobs. In last year's State of the Union, the President asked Vice President Biden to lead an across-the-board review of America's job training programs to ensure they share a single mission: providing workers with the skills they need to secure good jobs that are ready to be filled. In July, after engaging with business, labor, and the workforce community, the Vice President delivered a report that details specific actions that the Administration is taking and can take in the future as a result of this review. Specifically, the Administration has created a job-driven checklist that will guide administrative action to ensure that what's working best becomes what all Americans can expect when they participate in a federally funded training program. The checklist includes best practices such as engaging with employers in training partnerships to fill in-demand jobs in growing fields, expanding on-the-job training and apprenticeships, and using data to guide smarter choices and achieve better employment outcomes. The Administration already awarded over \$1 billion in competitive grants to organizations last year that applied this checklist, channeling training resources to growing sectors. For example, over \$300 million was awarded to partnerships to train and hire for in-demand IT occupations. Additionally, the Administration is working to incorporate the checklist into existing programs and grants. For example, training for vocational rehabilitation counselors now includes training in employer engagement and use of labor market information to identify in-demand fields.

Expanding Technical Training Programs at Community Colleges for Middle Class Jobs in Communities. Community colleges, like those in Tennessee and Texas, that build strong employer partnerships and offer training in in-demand fields are creating career pathways to the middle class. The Budget requests \$200 million for a new American Technical Training Fund to create or expand innovative, evidence-based job training programs in high-demand fields that provide a path to the middle class. Projects would emphasize strong employer partnerships, work-based learning opportunities, accelerated training, and flexible scheduling for students to accommodate part-time work. Programs could be created within current community colleges, other innovative, non-traditional training providers, or these entities in partnership with secondary programs. This initiative would be housed in the Career and Technical Education Innovation Fund, jointly administered by the Department of Education and the Department of Labor and builds on the Trade Adjustment Assistance Community College and Career Training Grants (for which 2014 was the final year of funding).

Investing in Health Professions Education to Improve Access to Health Care Providers and Services. The Budget invests in the growing the health care workforce, including support for 15,000 providers in the National Health Service Corps who will receive scholarships and loan repayments in return for serving in the areas across the country that need them most. In addition, the Budget provides new funding to support Graduate Medical Education residencies in primary care and other high need specialties. Most of these new residents will be trained in community based settings, including rural and underserved areas.

Supporting Veterans' Educational Goals. VA's readjustment benefit programs provide valuable military recruitment and retention incentives and help smooth the transition to civilian status. These benefits include the Post-9/11 GI Bill, the most extensive educational assistance program since the World War II era GI Bill. The Budget includes more than \$15 billion for educational and vocational rehabilitation benefits for eligible veterans and dependents.

Helping American Workers Launch and Sustain Small Businesses. The Budget also proposes \$1 billion to create the Veterans Job Corps program that would put thousands of veterans back to work over the next five years protecting and rebuilding America. In addition, the Department of Interior's historic National Parks Centennial Initiative will engage hundreds of veterans to upgrade and rebuild national parks.

The Budget funds training to launch and sustain small businesses, such as through the Small Business Administration's Boots to Business initiative that provides veterans transitioning to civilian life with the training and tools they need to start their own businesses, and SBA's Entrepreneurship Education initiative that funds training in business practices for small and promising businesses.

Improving Employment Outcomes for HUD-Assisted Households. The Budget increases job training and financial incentives to help public housing residents secure employment and increase their earnings through the Department of Housing and Urban Development's (HUD) Jobs-Plus program, which has been shown to boost annual incomes by \$1,300 on average. The Budget provides \$100 million for Jobs-Plus to target assistance to approximately 20,000 individuals, or about 15,000 more than in 2015. The request includes up to \$15 million to implement a demonstration of the Jobs-Plus model in Indian Country. The Budget also provides \$85 million for the Family Self-Sufficiency (FSS) program to link HUD-assisted households with job training, child care, transportation, financial literacy and other supportive services, and help them build assets through interest-bearing escrow accounts.